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TAGS: [EFIN](#) [ECON](#) [RS](#)

SUBJECT: RUSSIA'S STOCK MARKETS CONTINUE DOWNWARD SLIDE IN WAKE OF
SUBPRIME WORRIES

11. (SBU) The benchmark RTS Index dropped 3.6 percent for the week to 1829.64 near the end of the trading day on August 16. Losses in Asian markets and lingering subprime concerns have prompted what some observers are calling a "market event." Deutsche Bank Aleksey Zabotkin maintains that, broadly speaking, Russian stock valuations were well supported by the companies' underlying financial performance. However, global liquidity questions and uncertainty about the scope of the subprime issue have resulted in a revaluation of emerging market risk.

12. (SBU) Many analysts have speculated that, barring an acute external shock, the likely bottom for the RTS Index in the current environment would probably reach 1850. The drop in the per-barrel price of oil for much of the trading day, down nearly 3 percent, may have dimmed the near-term prospects of Russia's oil-heavy economy, thus adding to Russian investors' concerns.
RUSSELL